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Report of the Trade and Development Board on its fifty-first session*

Geneva, 4 to 15 October 2004

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Contents

Chapter		*Page*
	Introduction	3
I.	Action by the Trade and Development Board on substantive items on its agenda	4
	A. Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010	4
	Agreed conclusions 479 (LI)	4
	B. Economic development in Africa: Issues relating to Africa's debt sustainability	5
	Agreed conclusions 480 (LI)	5
	C. Review of the technical cooperation activities of UNCTAD and their financing	7
	Decision 481 (LI)	7
	D. Other action taken by the Board	8
II.	Summaries of the Board's discussion on substantive items on its agenda	10
	A. High-level segment: Follow-up to UNCTAD XI: New developments in international economic relations	10
	B. Interdependence and global economic issues from a trade and development perspective: Policy coherence, development strategies and integration into the world economy	15
	C. Review of developments and issues in the post-Doha work programme of particular concern to developing countries	19
	D. Technical cooperation activities: Report on UNCTAD's assistance to the Palestinian people	25
III.	Procedural, institutional, organizational, administrative and related matters	35
	A. Opening of the session	35
	B. Election of officers (Agenda item 1 (a))	35
	C. Adoption of the agenda and organization of work of the session (Agenda item 1 (b))	36
	D. Adoption of the report on credentials (Agenda item 1 (c))	36
	E. Provisional agenda for the fifty-second session of the Board (Agenda item 1 (d))	36
	F. Appointment for 2005 of the members of the Advisory Body set up in accordance with paragraph 166 of the Bangkok Plan of Action (Agenda item 11 (a))	37
	G. Designation of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Board (Agenda item 11 (c))	37
	H. Review of the calendar of meetings (Agenda item 11 (d))	37
	I. Membership of the Working Party for the Medium-term Plan and the Programme Budget for 2005 (Agenda item 11 (e))	37
	J. Administrative and financial implications of the actions of the Board (Agenda item 11 (f))	38
	K. Adoption of the report (Agenda item 12)	38
Annex		
	I. Agenda for the fifty-first session of the Trade and Development Board	39

INTRODUCTION

(i) The fifty-first session of the Trade and Development Board was held at the Palais des Nations, Geneva, from 4 to 15 October 2004. In the course of the session, the Board held eight plenary meetings – the 956th to 963rd meetings.

(ii) This report to the United Nations General Assembly has been prepared in accordance with the guidelines adopted by the Board in the annex to its decision 302 (XXIX) of 21 September 1984. The report records, as appropriate, the action by the Board on the substantive items of its agenda (section I), summaries of discussions under certain items (section II), and procedural, institutional, organizational and administrative matters (section III).

(iii) Volume II of the report of the Board on its fifty-first session – to be issued subsequently in TD/B/51/8 (Vol. II) – will reflect the statements made in the course of the session on the various items of the agenda.

I. ACTION BY THE TRADE AND DEVELOPMENT BOARD ON SUBSTANTIVE ITEMS ON ITS AGENDA

A. Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010

Agreed conclusions 479 (LI)

The Trade and Development Board,

Having considered the Least Developed Countries Report 2004: Linking International Trade with Poverty Reduction in its annual review of the implementation of the Programme of Action for the LDCs for the Decade 2001–2010,

1. *Notes with appreciation* the efforts made by the UNCTAD secretariat in casting further light, through its research and policy analysis, on the complex relationship between trade and poverty reduction and in advancing understanding on the right mix of national and global policies required to put least developed countries on the path of sustained economic growth and development;

2. *Recognizes* the daunting challenges of development and poverty reduction faced by the LDCs, which require special national and international efforts in order to tackle the depth and persistence of underdevelopment and massive poverty; such efforts should be based on integrated policies and strategies aimed at making international trade a more effective engine of development and poverty reduction. This is particularly so for LDCs;

3. *Notes with concern* the lack of progress in LDCs towards achieving the international development goals, including those contained in the Millennium Declaration and the goals of the Programme of Action for the LDCs. Poverty in LDCs remains a mass phenomenon in spite of the extensive and deep process of trade liberalization and the economic reforms which have taken place in these countries, especially within the context of structural adjustment programmes, since the 1980s;

4. *Stresses* the urgent need for development strategies that respond to the development needs of the LDCs. Such strategies could include debt relief, enhanced official development assistance, enhanced investment flows, improved market access and a more conducive international trading regime, as well as a conducive domestic macroeconomic framework in order to make international trade work for poverty reduction in LDCs;

5. *Emphasizes* the absolute necessity for capacity building in LDCs, especially in the field of trade, and *welcomes* contributions from development partners to enhance their financial

support to enable UNCTAD to step up, within its mandates, its contribution to the implementation of the revamped Integrated Framework for Trade-Related Technical Assistance (IF) in an increasing number of beneficiary countries;

6. *Recommends* that, in order to enable the Special Programme dealing with least developed countries, small island developing countries, and landlocked and transit developing countries to fully and effectively discharge the tasks assigned to it, due consideration should be given to the outcomes of UNCTAD XI in the allocation of resources for this Programme for the biennium 2006–2007.

963rd plenary meeting
15 October 2004

B. Economic development in Africa: Issues relating to Africa's debt sustainability

Agreed conclusions 480 (LI)

The Trade and Development Board,

1. *Welcomes* the report by the UNCTAD secretariat entitled "Economic Development in Africa: Debt sustainability: Oasis or mirage?", as a contribution to the debate on debt sustainability;

2. *Underscores* that the continent's debt burden and debt overhang are a deterrent to investment, and damage prospects for economic growth and poverty eradication, and thus require urgent action towards a durable solution if Africa is to make progress in attaining the international development goals, including those contained in the Millennium Declaration;

3. *Considers* the enhanced Heavily Indebted Poor Countries (HIPC) Initiative to be an improvement on the original framework, and *welcomes* the extension of the sunset clause of the HIPC Initiative to the end of December 2006, and other international actions on debt issues in favour of developing countries;

4. *Notes with concern* that African HIPCs still face daunting challenges, including high levels of poverty as depicted by the socio-economic indices and the high incidence in particular of HIV/AIDS, malaria and tuberculosis. A significant number of African HIPCs continue to face serious difficulties in meeting their external debt service obligations, and several have returned to unsustainable debt levels even after graduating from the HIPC Initiative;

5. *Stresses* that debt sustainability depends on a wide range of variables, and therefore debt sustainability analyses should incorporate a comprehensive set of variables,

including country-specific factors as well as vulnerabilities; and *considers* that this should be addressed by the international community. In this regard, there were suggestions that an independent panel of experts might be useful;

6. *Notes with great concern* that in some cases progress in implementing the Initiative has been slow. Funding has not always matched the estimated total costs of debt relief. These conditions, also considering current economic growth rates, contribute to the severe problems that many African countries face in achieving the internationally agreed development goals, including those contained in the Millennium Declaration, by any date close to 2015. In this regard the importance of interim debt relief was stressed;

7. *Notes* that a substantial majority of the 11 pre-decision countries are conflict and post-conflict African countries which face special challenges in accessing HIPC debt relief. Among these challenges, substantial resources are needed for rehabilitation and reconstruction of infrastructure, returning and resettling of refugees and clearing large arrears to multilateral financial institutions (MFIs);

8. *Welcomes* efforts by donor countries and MFIs to consider additional ways to promote debt sustainability, including finding additional finance for debt relief, and *encourages* further efforts to address multilateral and bilateral debt in a meaningful way. The recent announcement by the Government of the United Kingdom that it would pay 10 per cent of the debt service for eligible poor countries was highlighted, as well as other innovative proposals;

9. *Recognizes* that even substantial relief would need to be complemented by additional flows from all sources, including official development assistance (ODA) and foreign direct investment, and that debt relief should be seen in the context of development policy as a whole, including commitments made in order to meet the internationally agreed development goals, such as those contained in the Millennium Declaration; and *stresses* that HIPC debt relief should not be a substitute for bilateral ODA flows;

10. *Welcomes* the establishment of the African Peer Review Mechanism of the New Partnership for Africa's Development (NEPAD) to promote good governance, including the adoption of prudent debt management systems;

11. *Takes note* of innovative ways for generating additional resources inflows for development in order to augment official sources of finance;

12. *Underscores* the shared responsibility of both creditors and debtors in preventing and resolving unsustainable debt situations and the importance of directing resources released by debt relief towards activities aimed at higher and sustained economic growth and development consistent with the attainment of the International development goals, including those contained in the Millennium Declaration; and *stresses* that for developing countries to be able to achieve

their development objectives it would be important to take into account the need for appropriate balance between national development priorities and international disciplines and commitments;

13. *Stresses* that the issue of long-term sustainability in middle-income countries remains a concern and *notes* the new Evian approach of the Paris Club to treating debt in non-HIPC countries.

14. *Agrees* that UNCTAD should, within its mandate, continue to provide analysis and policy advice on African development and to support African countries in their endeavour to implement the programmes of NEPAD and to attain the international development goals, including those contained in the Millennium Declaration.

963rd plenary meeting
15 October 2004

C. Review of the technical cooperation activities of Unctad and their financing

Decision 481 (LI)

The Trade and Development Board,

1. *Takes note* with appreciation of the information provided in the report on the review of technical cooperation activities of UNCTAD (TD/B/WP/172 and Add.1 and 2), and *requests* the secretariat to further improve the presentation of the information on the allocation of trust fund contributions to different regions and thematic areas;

2. *Takes note* of the information provided by the secretariat on the implementation of the new technical cooperation strategy adopted by the Trade and Development Board at its fiftieth session in October 2003 (decision 478(L));

3. *Expresses its appreciation* to bilateral and multilateral donors for their contributions to UNCTAD trust funds, and *invites* them to continue contributing so that UNCTAD can respond to increasing demand for technical cooperation;

4. *Expresses* the need to ensure a more equitable distribution of resources among the developing country regions in the overall delivery of technical cooperation;

5. Notwithstanding some recent improvement in the delivery of technical cooperation to LDCs, which complies with paragraph 5 of the annex to decision 478 (L), *urges* donors and the secretariat to continue their efforts, building on the relevant conclusions of UNCTAD XI;

6. *Reaffirms the importance* of further implementation of the technical cooperation strategy with a view to enhancing the delivery of technical cooperation services of UNCTAD, in accordance with decision 478 (L) and the São Paulo Consensus;

7. *Takes note* of the conclusions and recommendations of the secretariat contained in document TD/B/WP/172;

8. *Requests* the secretariat, in cooperation with donors and beneficiaries, to continue disseminating the content of the technical cooperation strategy, as well as information regarding UNCTAD's operational activities and instruments;

9. *Requests* the secretariat to consider the possible implications of UNCTAD XI for the new strategy on technical cooperation;

10. *Takes note* of the cooperation between UNCTAD and other international and regional organizations, as well as development partners, including the private sector and civil society, in several UNCTAD technical cooperation activities, and *requests* the secretariat to continue its efforts in this regard, in accordance with paragraph 11 of the São Paulo Consensus.

961st plenary meeting
14 October 2004

D. Other action taken by the Board

UNCTAD's contribution, within its mandate, to the implementation of, and to the review of progress made in the implementation of, the outcomes of the major United Nations conferences and summits, under its relevant agenda items

1. At its 961st plenary meeting, on 14 October 2004, the Board took note of the report by the secretariat on this item (TD/B/51/5).

Report by the President of the Trade and Development Board on his participation in the high-level meeting of ECOSOC with the Bretton Woods institutions and the World Trade Organization

2. At the same meeting, the Board took note of the report of the President of the Board. (For the statements under this item, see volume II of the present report.)

Report on UNCTAD's assistance to the Palestinian people

3. At its 957th plenary meeting, on 6 October 2004, the Board took note of the report on UNCTAD's assistance to the Palestinian people (TD/B/51/2 and Corr.1) and of the statements

made by delegations. In accordance with General Assembly decision 47/445, it was decided that the report of the Board on its fifty-first session to the General Assembly would include an account of the deliberations under this item.

Report on UNCTAD XI multi-stakeholder partnerships

4. At its 961st plenary meeting, on 14 October 2004, the Board took note of the report by the secretariat on this item (TD/B/51/CRP.3).

Hearing with civil society, in accordance with paragraph 117 of the São Paulo Consensus

5. At its 962nd plenary meeting, on 15 October 2004, the Board took note of the President's summary of the discussions under this item (TD/B/51/L.3).

Report of the Working Party on the Medium-term Plan and the Programme Budget on its forty-third session, 13-17 September 2004

6. At the same meeting, the Board took note of the report of the Working Party on its forty-third session (TD/B/WP/176), and endorsed the agreed conclusions of the Working Party on "Review of the UNCTAD programme of work for the biennium 2004-2005, in the light of the outcomes of the eleventh session of the Conference", "Follow-up to the evaluation of UNCTAD's trade, environment and development programme", and "Evaluation plan".

Progressive development of the law of international trade: thirty-seventh annual report of the United Nations Commission on International Trade Law

7. At its 962nd plenary meeting, on 15 October 2004, the Board took note of the report of UNCITRAL on its thirty-seventh session, held in New York from 14 to 25 June 2004 (A/59/17).

Report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its thirty-seventh session (Geneva, 26-30 April 2004)

8. At its 961st plenary meeting, on 14 October 2004, the Board took note of the report of the Joint Advisory Group on its thirty-seventh session (ITC/AG(XXXVII)/200).

Report by the President of the Advisory Body set up in accordance with paragraph 166 of the Bangkok Plan of Action on the implementation of courses by the secretariat in 2003-2004 and their impact

9. At its 961st plenary meeting, on 14 October 2004, the Board took note of the report by the President on this item. (For the statements under this item, see volume II of the present report.)

II. SUMMARIES OF THE BOARD'S DISCUSSION ON SUBSTANTIVE ITEMS ON ITS AGENDA

A. High-level segment: Follow-up to UNCTAD XI: New developments in international economic relations

President's summary[1]

1. The Officer-in-Charge of UNCTAD introduced the background notes prepared by the secretariat (TD/404 and TD/B/51/6) and also provided a comprehensive overview of the stages of evolution of the South's role in the world economy and international trade, current opportunities and challenges for developing countries in the context of the evolving new trade geography, and strategies and policies for strengthening South-South trade and economic cooperation and integration.

Trends and implications

2. The trend towards a new trade geography was a welcome phenomenon and ushered in a sense of optimism as regards the performance of developing countries in international trade. The long-term trend was clearly for the share of developing countries in world trade and investment to increase, and within that process for the South-South share to continue to rise. There were three key interlinked determinants and trends that shaped the new trade geography: the increasing role and importance of the developing countries, and therefore of their development, to drive trade and growth; South-South trade and economic cooperation reaching a critical mass and growing vigorously; and the changing context of North-South interdependence and terms of engagement, as well as the South's economic relations with countries with economies in transition.

3. However, it was necessary to exercise due caution in the use of the concept of the new trade geography and to avoid unrealistic expectations in regard to its scope and impact. While these trends identified in the secretariat's reports were quite valid per se to help identify a critical path for developing countries and regions, it would be important to bear in mind the fact that many developing countries, particularly African countries and LDCs, appeared not to contribute significantly to this positive trend, and some even were losing market share; poverty and marginalization persisted, especially outside of the growth poles.

4. It was argued, therefore, that the time had not yet come to rewrite the international trade geography textbooks. Intra-South disparities in performance should be taken into account in

[1] Included in the Board's report to the General Assembly by decision of the Board at its closing (963rd) plenary meeting.

future analyses in terms of both opportunities and challenges. There must be systemic efforts, including by developed countries and those developing countries that were leading the South's trade and investment dynamism, to replicate successful experiences in countries that were lagging behind, especially in African countries, LDCs and small island developing States. The particular concerns of landlocked and transit developing countries deserve special attention. Strategies must be designed to ensure that the dynamism evident in several countries of the South was sustained and had a positive multiplier effect throughout developing countries.

South-South trade in the context of new trade geography

5. The growth in South-South trade had been driven, in particular, by East Asia - initially by ASEAN countries and more recently by China, whose booming domestic economy was drawing in imports from both developing and developed countries. The high level of demand in China was also pulling up many commodity prices and enabling other developing countries to seize sizeable new export possibilities. Two-thirds of South-South trade took place in Asia. Elsewhere – in Latin America or Africa – more "traditional" North-South trading patterns had been harder to shift.

6. Nevertheless, regional integration processes had gathered steam in these regions as well. For example, in Latin America, which had a long history of fruitful regional and subregional cooperation, economic integration arrangements were now being further developed in a manner compatible with the principle of "open regionalism". The results appeared encouraging, and regional and subregional trade relations currently covered a significant amount of manufactured exports. The African region was pushing for the creation of integration arrangements such as internal common markets, which offered a unique opportunity to deepen South-South trade on a regional and subregional basis.

Policy options for enhancing South-South trade

7. The real challenge before developing countries was to identify and consider more actionable proposals on South-South cooperation. The primary responsibility in increasing South-South trade and investment rested with individual developing countries. They needed to put in place and implement the best policy mix to stimulate export-oriented growth, attract and secure investment (both domestic and foreign) and promote their greater integration into the international trading system. With regard to trade policy, there was a need to strike the right balance so as to bring about progressive and managed liberalization - which would ensure a greater competitive stimulus to domestic firms without impeding any Government's right to regulate. The role of small businesses was also important in promoting South-South trade and cooperation.

8. There were several routes open for developing countries to stimulate South-South trade, such as measures to reduce their own levels of border protection, including giving trade preferences for other developing countries, whether granted unilaterally or under a negotiated framework (such as the GSTP); providing trade preferences specifically for the LDCs; and undertaking regional liberalization in the framework of regional trade agreements (RTAs) concluded among developing countries or among developed and developing countries.

9. South-South RTAs also provided an opportunity for Governments to develop solutions to the legal, regulatory and "behind the border" challenges that also arose in the multilateral context - for example, product safety and health standards and other non-tariff barriers, as well as market entry barriers. Still another route was multilateral MFN-based liberalization for products of mutual interest in the context of the current Doha negotiations.

10. Furthermore, in addition to trade, more investment flows should be present in South-South economic cooperation, while taking into account the fact that most developing countries were not capital exporters. At the same time, since foreign direct investment was in short supply and was concentrated in a few developing countries, development strategies relying on domestic or regional savings and investment were needed.

11. Another area of possible South-South cooperation would be to achieve complementarities by harmonizing national laws and regulatory frameworks, including those on corporate issues and competition policy. Developing countries also stood to gain from the multilateral negotiations on trade facilitation, as part of the Doha Round, provided the necessary resources were made available to them to meet the attendant costs.

12. There was also a need to strengthen South-South interregional cooperation and establish or reinforce strategic partnerships of developing countries. The international trade, financial and development institutions also had important roles to play, including as providers of development finance, technical assistance and support for capacity building. They might tailor their policy approaches to support South-South cooperation.

13. The recent increases in oil prices and the burgeoning energy demand from the South contributed to increased interdependence among developing countries. In order to ensure the sustainability and quality of growth and development in the South, the management of this deepening interdependence warranted greater cooperation among developing countries.

Complementary measures by the North to promote South-South trade

14. South-South trade should be seen in the context of increasing interdependence between the North and the South, and should be supported by complementary measures by developed country partners. It was pointed out that trade barriers and certain trade-distorting and anti-competitive practices impeded South-South trade. Some participants expressed the view that many measures and policies could be undertaken by developed countries in enhancing South-South trade, enhancing supply-side capacity and diversification in developing countries, and increasing investment flows and transfer of technology to developing countries.

15. In view of the increasing significance of the South as an important source of growth and dynamism of the world economy and international trade, some suggested that it was in the enlightened self-interest of the North to give greater weight to the trade and development interests of developing countries in their national policies and policy coordination.

Official development assistance

16. A positive recent development related to an upward movement of official development assistance (ODA) flows. During the last two to three years, there had been an increase in the level of global ODA, although such increases would not be sufficient for the achievement of the Millennium Development Goals (MDGs). ODA flows could help build supply capacity and improve competitiveness, thereby facilitating replication of successful experiences in countries that had lagged behind and in the process integrating them more closely in the world trading system.

Policy space

17. The São Paulo outcomes contained a pragmatic and balanced interpretation of policy space in the context of the application of different policy measures on the basis of concrete experience of what worked in a country and what did not. The need for diversity in the formulation of national development strategies was particularly important in enabling countries with different initial conditions and levels of development to effectively meet the challenges of sustained economic growth and development in a rapidly changing global economy.

Corporate responsibility

18. Over the years, transnational corporations had emerged as key actors in the global economic and trading systems, as well as impacting on the pace and quality of the development process of developing countries. At the same time, they were also a major beneficiary of this transformation. Many speakers suggested that it was important that the corporations fulfill their corresponding development obligations, not just in terms of written agreements but also in the

larger social and human context. There were existing examples of voluntary frameworks such as the UN Global Compact and the Global Sullivan Principles of Corporate Social Responsibility. The view was expressed that there were, however, certain gaps in these frameworks, which needed to be filled. It was also important to ensure that home country standards and requirements should not act as disincentives to TNCs in locating in or sourcing from developing countries.

Security-related issues and developing country trade

19. Terrorism had given rise to increased security concerns, and some concerns were expressed to the effect that security-related measures were having a restrictive impact on developing countries' ability to trade in goods and services.

Role of UNCTAD

20. The importance and practical value of UNCTAD's substantive work in analysing and interpreting the evolving new trade geography from a development standpoint was recognized. The high-quality reports prepared by the UNCTAD secretariat on this item (TD/404 and TD/B/51/6) contained fresh analysis and perspectives, as well as practical strategies. In continuing its research and analysis on this issue, UNCTAD was encouraged to take a disaggregated view of differential performance in developing countries and further elaborate strategic approaches to enhancing South-South trade in the overall context of the new trade geography. One analytical challenge would be to determine whether current developments portended a decisive or qualitative change in the economic situation of the South. The participation of developing countries in dynamic and new sectors should be reflected in such work.

21. It was suggested that UNCTAD should look into the impact of the growing number of free trade agreements with investment components and examine the impact of the multiplicity of such agreements on investment flows from North to South. Further, UNCTAD, as the focal point for development, trade and investment in the UN system, was expected to contribute to confidence-building between developed and developing countries and play a complementary role, especially in terms of technical assistance, particularly in the area of South-South cooperation. In doing so, UNCTAD should cooperate closely with other relevant international organizations, including UN regional commissions, and organizations of the South.

Participants

22. The Board considered agenda item 2 in its high-level segment on 5 October 2004. The debate proceeded in three interactive sessions and was facilitated by several high-level representatives and lead discussants, including: H.E. Hon. Arjuna Ranatunga, Deputy Minister of

Industry, Tourism and Investment Promotion (Sri Lanka); H.E. Dr. Ziyad Bahaa Eldin, Chairman of the General Authority for Investment (Egypt); H.E. Mr. Rodolfo Severino, Presidential Adviser on Trade and Development, Department of Foreign Affairs (Philippines); Mr. Richard W. Behrend, Director, Office of Economic and Development Affairs, Bureau of International Organization Affairs, Department of State (United States of America); Ambassador Samuel Amehou (Benin); Ambassador Carlo Trojan (European Commission); Ambassador Hardeep Singh Puri (India); Ambassador Shotaro Oshima (Japan); Ambassador Gyan Chandra Acharya (Nepal); Ambassador Péter Balás (Hungary); Ambassador Ransford Smith (Jamaica); Ambassador Joseph Ayalogu (Nigeria); Ambassador Elizabeth Astete (Peru); Ms. Virginia Cram-Martos (Economic Commission for Europe); and Mr. Martin Khor (Third World Network).

B. Interdependence and global economic issues from a trade and development perspective: Policy coherence, development strategies and integration into the world economy

President's summary[2]

1. The debate addressed current trends and prospects in the world economy, and especially the situation in developing countries. Delegations pointed to the beneficial effects of the current recovery for the developing world as a whole, for example through increased demand for primary commodities, but also expressed concern that the recovery has been uneven and that per capita income growth is still very low in LDCs and countries in sub-Saharan African countries, fuelling doubts about these countries' ability to attain the international development goals.

2. A number of other developing countries also remain very vulnerable with respect to commodity price developments and access to international financial markets. Recent improvements in their economic situation should not obscure the fact that many structural problems, such as unemployment, unequal income distribution, foreign debt and low levels of investment, remain to be solved in many countries.

3. Many delegations expressed doubts about the sustainability of the current pattern of growth of the world economy, particularly its dependence on a further expansion in the United States, but recent development in Asia might help to redress this imbalance to some extent. The rise in oil prices and uncertainties about exchange rates are also reasons for remaining cautious with regard to short-term growth prospects. If the oil price situation is not reversed soon, oil-importing developing countries, especially the least developed ones, would face additional difficulties and might require assistance.

[2] Included in the Board's report to the General Assembly by decision of the Board at its closing (963rd) plenary meeting.

4. While increased interdependence can benefit the global economy, a simultaneous slowdown in the United States and Asia, if not counterbalanced by growth in other major economic centres, would seriously threaten global growth. Recent developments in the world market for oil are an example of the negative reverberations that actions or events in one country can have in a highly interdependent world economy. It was also suggested that oil price fluctuations, like fluctuations in the prices of other primary commodities, could have negative implications for the exporting countries as well.

5. The economic and social transformations unleashed by globalization remain a major challenge for many developing countries, which do not always have the capability to handle their consequences. Many of them continue to suffer from a host of problems, including poverty, lack of financial resources, a heavy debt burden and, in some cases, even a net outflow of resources. Deteriorating terms of trade, increasing financial risks and low levels of technological development were also considered major obstacles.

6. Improvements in national governance are important to remedy this situation, but the present set of global rules could reduce the options for developing countries to manage the processes of liberalization and integration effectively.

7. Sustained growth in all parts of the developing world is in the mutual interest of all countries. In the longer term, economic growth and the trading opportunities of the more advanced economies also depend on the expansion of industrial capacity and markets in the poorer countries. New ways may need to be explored at the international level to ensure that the low-income countries, especially in sub-Saharan Africa, and all groups of their populations, can reap greater benefits from the expansion of international trade, faster growth in the developed and other parts of the developing world, and globalization more generally.

8. Multilateral as well as domestic policy solutions are required to ensure that the trading environment is made truly supportive of rapid development. The international community should further enhance the coordination of development policy aimed at facilitating development financing, enhancing technical and financial support for the developing countries, and improving the international economic environment for developing countries to undertake effective economic reforms according to their national conditions.

9. A comprehensive approach to the present challenges of development should be people-centered, respect the need for adequate economic policy space at the national level, and comprise good governance of globalization with inclusive and transparent structures of international economic decision-making. It should aim at improving access to knowledge and technology; strengthening corporate social responsibility, including by transnational corporations; and ensuring adequate and innovative financing for development. With respect to the latter, recent

new proposals for further debt relief for developing countries, especially LDCs and African countries, and further efforts to increase the quantity, quality, and effectiveness of aid are welcome.

10. A sense of shared responsibility was considered essential not only in development cooperation and in efforts to attain the objectives of human development, but also in the fight against poverty, terrorism and corruption. In an interdependent world, this could contribute considerably to global security.

11. Another major theme of the debate was "Policy coherence, development strategies and the integration of developing countries into the world economy". The debate was enriched by the analytical work contained in the *Trade and Development Report 2004 (TDR)* and a panel discussion with experts around the theme "Exchange rate effects on trade and implications for the international trading and financial systems".

12. Many delegations agreed that, in the absence of a coherent approach to international economic relations, the unrestricted flow of capital, through its impact on exchange rates, can compromise the international competitiveness of companies and productive investment in developing countries, and thus have a profound impact on their trade and growth prospects.

13. The call for improved systemic coherence in support of development is one that goes back to the creation of the post-War international economic system. In today's interdependent world, all countries must take even more account of the potential effects of their actions on others. The leading economies have a particular responsibility in this regard, since their policies impact on the entire global economic system and its stability.

14. For developing countries it is imperative to design policies at the national level that improve the climate for private investment and entrepreneurial risk taking, but only in a coherent international economic system can greater openness to trade and to international financial flows help developing countries to establish a virtuous circle between external finance, domestic investment and exports.

15. Greater coherence between international processes and negotiations in the areas of trade, investment, finance and technology, on the one hand, and the different national development strategies, on the other, can also contribute to efforts to achieve the international development goals.

16. There are great hopes that the negotiations towards the conclusion of the Doha Work Programme will lead to an equitable multilateral trading system, strengthen international economic and trade cooperation, and create the conditions for sustained development, including fair rules for trade in goods and services and non-distorted access to all markets. The developed countries were invited to face up to the need for structural reform in their economies and to abandon protectionism.

17. Macroeconomic factors can affect the competitiveness of companies in developing countries. This is especially the case for interest rates, a key factor for domestic investment, and exchange rates, a key factor for trade performance. Some delegations warned in this context that even if some more advanced developing countries used their policy space to maintain their exchanges rates at deliberately low levels, such a use of policy space could not be recommended for all developing countries, and in particular not for LDCs.

18. It became clear that sharp currency depreciations, which typically occur in crisis situations, might not bring about the desired increase in cost competitiveness of domestic firms and might even lead to pressures for protectionism and competitive devaluation, with attendant risks for the world economy. It may therefore be useful to search for solutions at regional and global levels to reduce currency volatility.

19. During the informal session, panellists considered that in developing countries the impact of real exchange rate volatility is generally much stronger than in developed countries, and confirmed that it is difficult to cope with exchange rate volatility at the country level. It has to be recognized, though, that the effects of overvaluation within regional integration agreements could be particularly severe. There are also some reservations about the possibility in most of the developing world of entering into regional monetary integration arrangements, because these require resources and the willingness to use them for the purpose of regional exchange rate stabilization.

20. Some delegations suggested that policy coherence in the governance of globalization in favour of development also requires broader and stronger participation of developing countries in international economic decision-making and norm setting.

21. The current situation in the oil market can also be looked at from the point of view of coherence, as it might call for closer cooperation between producers and consumers to stabilize prices, while such cooperation has become unpopular as a possibility of dealing with price volatility in the markets of other commodities. It was suggested that international mechanisms to ensure greater stability of commodity prices should be considered.

22. The *TDR 2004* was perceived as providing useful data, analyses and ideas with regard to the interplay between trade, monetary and financial factors shaping trade performance. However, both the *TDR* and the panel discussion left open the question of what a "better international financial architecture" would be and how it could be achieved. The proposal for a new multilateral exchange-rate arrangement requires a stronger conceptual foundation, and for a number of reasons it may be difficult to implement. It is also not clear if it would lead to net improvements over existing exchange rate regimes.

23. An assessment of how the GATT balance-of-payments provision could be used to address problems associated with the instability in financial flows may deserve further attention, although this provision is subject to stringent conditions which have made it difficult for developing countries to invoke it.

24. It has become clear again that a collective approach is needed to foster coherence between the international trading, monetary and financial systems. Although the protagonists in matters related to international policy coherence are the WTO and the Bretton Woods institutions, UNCTAD can also contribute to the debate on how to achieve greater coherence thanks to its unique position, in which it is mandated to deal with all economic, commercial and social aspects of development in an integrated manner.

25. However, UNCTAD should not only examine which strategies have been successful in certain parts of the world and at certain times, but also present alternative scenarios, including concerted action the international community might take. UNCTAD should continue to sharpen its analytical work, and to broaden its technical assistance programmes to help developing countries meet the complex challenges arising from trade liberalization and globalization.

C. Review of developments and issues in the post-Doha work programme of particular concern to developing countries

President's summary[3]

1. The Board considered agenda item 6 in plenary session on 8 October 2004. The opening address was given by the Officer-in-Charge of UNCTAD, and the keynote address was delivered by the Director-General of the World Trade Organization (WTO). The secretariat's background

[3] Included in the Board's report to the General Assembly by decision of the Board at its closing (963rd) plenary meeting.

note (TD/B/51/4) and conference room paper (TD/B/51/CRP.1) were introduced by the Director of the Division on International Trade in Goods and Services, and Commodities.

2. Thirty-five statements were delivered on the agenda item by the following: Brazil (on behalf of the Group of 77 and China), EC (on behalf of the European Community), Mexico (on behalf of the Latin American and Caribbean Group), Pakistan (on behalf of the Asian Group and China), Nigeria (on behalf of the African Group), Benin (on behalf of the LDCs), Egypt, India, China, Islamic Republic of Iran, Kenya, Bangladesh, Chile, Philippines, Zambia, United States of America, Argentina, South Africa, Indonesia, Japan, Russian Federation, Mauritius, Jamaica, Cuba, Senegal, Sri Lanka, Republic of Korea, Venezuela, Norway, Belarus, Canada, Switzerland, Ethiopia, Sudan, and UNECE.

3. Most participants expressed appreciation for the secretariat's background note as providing a comprehensive account of development-related issues arising in post-Doha trade negotiations following UNCTAD XI and the July 2004 WTO Framework Decision (July Package). Furthermore, it was noted by many that opening statements by the secretariat had set out certain important issues for discussion and consideration by the Board. They further recognized the Trade and Development Board's contributions towards identifying lessons learnt from Cancún during the Board's previous session under the same agenda item and towards clarifying the development dimension in negotiations. Many also felt that the discussions under agenda item 6 at the present session would help with confidence and consensus building to advance negotiations on many of the issues contained in the July Package. The debate is summarized below.

A. Progress since Cancún: UNCTAD XI and the WTO July Package

4. The journey from Cancún to São Paulo to Geneva provides a fundamental lesson for trade negotiators, namely that development matters, and as a result, WTO Agreements must address the trade-related development concerns of its Members if a successful conclusion of the current round of multilateral trade negotiations is to be achieved. Negotiators have thus learned that they must adhere to delivering the development promise of the Doha Declaration, not as a sequel to market access and in rules negotiations, but in parallel with them as an integral consideration in liberalization undertakings. While this has proved difficult in the three years since Doha, participants shared the view that it is realistically achievable. Some expect that, while it may not be possible to conclude Doha negotiations by the time of the 6th Ministerial Conference in Hong Kong in 2005, the chances are good for their conclusion by 2006.

5. The Officer-in-Charge of UNCTAD emphasized that UNCTAD endeavours to play an active supportive role in making the development promise of Doha a reality, through technical

assistance activities, analytical research work and consensus-building at intergovernmental deliberations.

6. The Director-General of the WTO concurred with the UNCTAD secretariat's view that: "The Decision reaffirms first and foremost the value of multilateralism, re-establishes the viability of the Doha work programme, reconfirms the centrality of development concerns, and recommits WTO Members to fulfilling the development dimension of the Doha work programme. It also reconfirms special and differential treatment as an integral part of WTO Agreements. It helps reduce uncertainty in the multilateral trading system, and calms protectionist fears." He further stated that the Decision provides an excellent launching pad for further work and the conclusion of negotiations in due course. Integrating developing countries into the trading system is one of the foremost challenges facing the WTO today. He cautioned that a great deal of work still remains, and that the coming months will be crucial.

7. As confirmed in the São Paulo Consensus, countries are committed to the multilateral trading system (MTS), and upholding and safeguarding it is a responsibility shared by all. For their part, developing countries emphasized that they have played a very constructive role in putting the Doha round back on track and have shown willingness to find common ground in order to sustain the multilateral trading system. Many developing country participants cautioned that negotiations would not be fruitful without concrete progress in addressing their development concerns and ensuring balance and parallelism, within and between areas under negotiation.

8. Market access and technical assistance play an essential role in assisting countries to build supply capacities and competitiveness in their traditional and emerging areas of comparative advantage and complementarity. Many countries emphasized that the MTS should act to enhance, and not hinder, the ability of developing countries to adopt policies that advance national development objectives.

9. With the growing interdependence of national economies in a globalizing world, some referred to the importance of an appropriate balance between national policy space and international disciplines and commitments. While recognizing the responsibility of each Government to evaluate the trade-off between the benefits of accepting a rule-based and predictable multilateral trade system and commitments arising therefrom, as well as constraints posed by them, a number of participants stressed the need for overall coherence.

B. The July Package: Key determinants of progress on the development dimension

10. It was recognized that the July Agreement marks the beginning of a new and difficult stage of negotiations that will be more technical and politically challenging. The momentum for negotiations regained in the immediate process leading to the July Package should be maintained and reinvigorated so as to conclude the negotiations successfully.

11. It was emphasized that a major challenge facing WTO Members in the new phase of negotiations is to deliver, through substantive negotiations, the Doha mandate to place the needs and interests of developing countries at the heart of the work programme. Addressing development issues will require purposeful and concerted efforts by all parties to incorporate SDT across the board in all areas of negotiations and to address implementation-related issues and concerns. It will also require finding appropriate solutions to their specific trade and development needs. In this context the point was made that it is necessary to take into account the specific development, financial and trade needs of developing countries, considering that there is no one-size-fits-all trade and development strategy.

12. It was considered particularly important that the MTS be sensitive to the special needs of LDCs. They need to benefit from duty-free and quota-free market access conditions for all products in developed countries and other countries in a position to grant such treatment, as called for in various international accords and exemptions from tariff and subsidy reduction commitments. In addition, the need to address the special development needs of small economies, including small island developing States, which remain highly vulnerable to external shocks, including natural disasters, was also referred to by a number of delegations. Moreover, the special trade-related development needs of landlocked and transit developing countries was underlined.

13. Agriculture is central to negotiations and is particularly relevant to development and poverty reduction. Genuine agricultural reform and liberalization would provide a level playing field and bring gains for agricultural exporting developing countries. The point was made that the full modalities should incorporate operationally effective SDT and take into account, in all three pillars of negotiations, specific development needs such as food security and rural development, including through special products and special safeguard mechanisms. Some delegations considered that special attention should be given to the establishment of mechanisms for net food-importing developing countries to address the adverse impact of terms-of-trade effects.

14. The need to deliver effectively on the commitment to address issues raised by the Sectoral Initiative on Cotton "ambitiously, expeditiously, and specifically" was emphasized by some delegations. The specific trade and development concerns of commodity-dependent countries

need to be addressed, as these countries continue to remain marginalized in international trade. Reference was made to the report by the Group of Eminent Persons convened by UNCTAD on behalf of the General Assembly.

15. Given that manufactures account for 75 per cent of developing countries' exports, non-agricultural market access (NAMA) represents an opportunity to pursue a positive agenda in trade negotiations. It was stressed that a balanced and development-oriented outcome would require further work on the specifics of some of the elements contained in the NAMA framework, including the formula, issues relating to the treatment of unbound tariffs, flexibilities for developing countries, the issue of participation in the sectoral tariff component, and preferences. It was considered important to find the right formula.

16. There were shared views that adjustment concerns of developing countries affected by preference erosion need to be adequately addressed.

17. The development potential of negotiations on services was widely recognized. It was stressed that the July Package gives a boost to negotiations on services by calling upon WTO Members to submit the revised offers by May 2005.

18. In respect of trade facilitation, while its potential for promoting trade was recognized, concern was raised over its cost implications. It was thus a welcome development that the July Package adopted a new approach to negotiations by relating the financial, administrative and institutional capacities of developing countries, and the cost of implementation, to the adequacy of financial and technical resources made available to them and the level and timing of obligations.

C. Other issues

19. The importance for trade and development of ensuring the full and timely elimination of the quota system in the textile and clothing sector by 1 January 2005 was highlighted by a number of delegations. Restraining countries indicated their commitment to respect the deadline under the Agreement on Textiles and Clothing for the final stage of quota elimination. The adjustment concerns of less competitive LDCs and small economies heavily dependent on textile and clothing exports were raised, as the countries concerned are expected to incur losses. In this connection, the secretariat's conference room paper on "Assuring development gains from the international trading system and trade negotiations: Implications of ATC termination on 31 December 2004" was welcomed by many.

20. The importance of negotiations on WTO rules was stressed. In addition, the need to restrain unilateral measures with extraterritorial effect was also mentioned. It was indicated that negotiations on trade and environment need to further the developmental, environmental and trade interests of developing countries. In respect of TRIPS, attention was drawn to the implications of the prospective expiration of the transition period for product patent protection in some areas such as the pharmaceutical sector, and to the need for a legally enforceable and usable mechanism for ensuring access to medicines.

21. Accelerating WTO accession for all developing countries and transition economies, in particular LDCs, consistent with the WTO General Council guidelines on accession of LDCs, without political impediments and in a manner consistent with their development status was emphasized. Also, the concerns of newly acceded countries need to be adequately addressed in negotiations.

D. Larger universe of the international trading system

22. The significance of RTAs in the international trading system has increased with the proliferation, expansion and deepening of North-North, North-South and South-South agreements, which have become a driving force of the emerging new trade geography. This development points to the importance of securing a positive interface and coherence between RTAs and the MTS, in particular in the context of substantive market access and rule-making negotiations under the Doha Work Programme. While concern was expressed over the behind-the-border development implications of "WTO-plus" North-South agreements, it was noted that such deep commitments should be made conducive to increased trade and investment flows. At the same time, reference was made to a positive experience in North-South RTAs. The significant progress made in South-South agreements was stressed. It was emphasized that the milestone decision reached in June 2004 to launch the third round of negotiations under the Global System of Trade Preferences among Developing Countries (GSTP) is expected to expand South-South trade on an interregional basis.

E. Role of UNCTAD and the Trade and Development Board

23. The constructive contribution of UNCTAD's consensus building, analytical, and technical cooperation activities to multilateral trade negotiations was universally appreciated by participants. The usefulness of the Board's annual review of developments in the post-Doha Work Programme of particular concern to developing countries was underscored, particularly as it provides a unique opportunity for all Governments to discuss issues outside a formal negotiating setting. UNCTAD's unique and comprehensive mandate to support international trade negotiations was noted. In pointing to the mutually-supportive relationship between UNCTAD

and the WTO processes, the two organizations were encouraged to strengthen their cooperation to assist countries derive development gains from multilateral trade agreements.

24. Appreciation was expressed for the unique value to developing countries and countries with economies in transition of UNCTAD's technical assistance and capacity building programmes on international trade and trade negotiations, especially in all key areas of the Doha negotiations and in the context of RTAs. Developing countries thanked donors for their support for UNCTAD's trade-related technical assistance programmes and called on them to increase such support so that UNCTAD can meet the growing demands and needs of developing countries.

D. Technical cooperation activities: Report on UNCTAD's assistance to the Palestinian people[4]

1. For its consideration of this item, the Board had before it the following documentation:

"Report on UNCTAD's assistance to the Palestinian people" (TD/B/51/2).

2. The **Coordinator for Assistance to the Palestinian people**, introducing the secretariat's report, said that the Board's agenda had featured the item on assistance to the Palestinian people for 20 years, which attested to the complex political context in which this economic issue was widely perceived. It was an important achievement for UNCTAD that at UNCTAD X and XI, a consensus had been reached for work in this area. In operationalizing its mandate, the secretariat had combined the three pillars of UNCTAD's work, namely research and analysis, technical assistance and intergovernmental consensus building. In its efforts to mainstream UNCTAD's global outlook into this programme of work, the secretariat had also recognized the uniqueness of the issue. While UNCTAD was not the forum to deal with the political, security, humanitarian or legal aspects of the question of Palestine, it was an appropriate UN forum to examine the developmental dimensions of the issue.

3. The report underlined the urgency of bringing relief, rehabilitation and development efforts into a cohesive framework determined by a genuine Palestinian development vision and agenda. The Palestinian economy continued to feature deep-seated structural imbalances and distortions, owing to occupation, geographic isolation and fragmentation, war and institutional attrition, and the uncertainty of implementation of the two-State solution envisaged in Security Council resolution 1397 and the international community's Road Map. Any political process should be paralleled by an economic development strategy, and even in the absence of political progress,

[4] Included in the Board's report to the General Assembly in accordance with General Assembly decision 47/445.

the Palestinian economy had demonstrated resilience and coping strategies, which should provide the guiding elements for conflict and post-conflict development endeavours.

4. UNCTAD's policy message on this had found growing resonance in Palestinian and international fora and had informed UNCTAD's programme of technical assistance to the Palestinian people in recent years, implemented in close cooperation with Palestine. UNCTAD had been fully engaged in supporting Palestinian development efforts and establishing new partnerships with the private sector and international development organizations. Increasingly, donors considered UNCTAD to be a transparent development agency capable of delivering cost-effective technical assistance to the Palestinian people.

5. UNCTAD X had welcomed UNCTAD's assistance to the Palestinian people and called for it to be intensified. The São Paolo Consensus had again endorsed UNCTAD assistance to the Palestinian people and called for it to be strengthened with adequate resources. In view of the constrained institutional capacity of the Palestinian Authority (PA) and private sector institutions and the adverse field conditions, the Assistance to the Palestinian People Unit (APPU) in UNCTAD played an indispensable role in liaison, research and ensuring policy cohesion in support of the work of other UNCTAD Divisions. However, funding constraints were becoming increasingly critical, and this impaired the efficiency and impact of technical assistance. The secretariat's ability to forge ahead with the design and initiation of planned technical assistance activities was undermined by recurrent limitations and the unpredictability of extrabudgetary resources, as well as reduced core staff resources. The secretariat would not be able to accept new PA requests for technical assistance projects in the absence of the extra professional post that had been allocated to APPU since 2001. Enabling systematic Palestinian participation in UNCTAD expert meetings was another capacity building priority that the secretariat would emphasize in its work programme for the coming years.

6. Currently available regular budgetary resources were sufficient to maintain the secretariat's specialized knowledge and policy analysis capacity in specific areas, and to provide occasional advisory services. But they were not adequate for managing an intensified, multisectoral technical assistance programme, or to enable Palestinian sectoral representatives and experts to participate fully in UNCTAD expert meetings. In order to expedite action to remedy this situation, the secretariat was prepared to follow-up on the Board deliberations with proactive resource mobilization efforts, in consultation with interested delegations and competent authorities in donor capitals.

7. The representative of **Palestine** said that, while the secretariat's Unit for assistance to the Palestinian people was small in size, its contribution to research into and understanding of the Palestinian economy and the impact of the Israeli occupation thereon was important. He appreciated all forms of assistance provided by UNCTAD to the Palestinian people, and he stressed the need to concentrate on capacity building and economic policies of the emerging

Palestinian state. He urged the secretariat and donor countries to provide resources as a positive contribution to the inevitable peace and as a translation into actions of the São Paulo Consensus.

8. The Oslo agreements provided for equality, mutual respect, partnership in peace and economic development. However, since their adoption, another decade of occupation had elapsed, with severe repercussions on all aspects of the life of the Palestinian people. The most recent Israeli killing of Palestinians, demolition of homes and razing of farms and fruit trees were samples of the practices of an occupation that sensed its end was approaching. Israel would like the Palestinian State to be run by private firms and NGOs that had favourable links with Israel rather than by an elected and legitimate Palestinian Authority that exercised sovereignty, and he wished to alert the international community and intergovernmental and non-governmental bodies and organizations to this rather absurd trap.

9. The insistence of Israel on taking unilateral measures and disregarding the Palestinian Authority was a futile strategy intended to divide the Palestinian territory through the separation of the Gaza Strip geographically and politically from the West Bank. The Palestinian position with regard to any possible Israeli withdrawal from Gaza Strip was governed by two basic considerations: that the West Bank and Gaza Strip constituted a single territorial unit; and that any withdrawal from Gaza Strip should correspond to similar steps in the West Bank in consistency with the Road Map and in full cooperation with the Palestinian Authority. He called upon all member States of the United Nations to comply with their legal obligations, as set out in the advisory opinion rendered on 9 July 2004 by the International Court of Justice, on the "Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory". It was time for the international community to resort to concrete steps to make Israel comply with international law. He called for the boycott of firms and individuals associated with the building of the wall, and a ban on the import of Israeli settlements products, as necessary measures that would make Israel contemplate the costs of its continued occupation and violation of UN resolutions.

10. The Road Map would not bear fruit if it was not accompanied by an economic Road Map that showed the way out of Palestinian dependency on Israel and built confidence through measures aimed at placing the Palestinian party on a par with its Israeli counterpart. However, these measures in themselves would not be sufficient if not accompanied by political will on the part of Israel to facilitate the creation of an independent, democratic and sovereign Palestinian State with the defined borders of June 1967. In addition to the serious ramifications for the Palestinian economy of Israeli policies in terms of physical destruction and economic stagnation, there had been a severe contraction of the Palestinian human capital base through the loss of lives and the continuous brain drain via the emigration of highly skilled people in search of work opportunities elsewhere.

11. Human capital was indispensable for a country's balanced growth and sustained development, particularly in a post-war context. He urged the UNCTAD secretariat to take this

into account in devising its future assistance programme for the Palestinian people and to focus on the untapped potential of the Palestinian enterprise sector and its ability to actively engage in the process of reconstruction and development. He welcomed the secretariat's proposals concerning the rehabilitation and development of the Palestinian economy for the period 2005-2006, including the proposal to strengthen the Assistance to the Palestinian People Unit, and he urged donors to help UNCTAD in its endeavour to assist the Palestinian economy.

12. In concluding, he referred to the Palestinian economic rebuilding strategy for enhancing dynamic growth, which would build on the lessons learned since 1994. Palestine was determined to rise to the challenge posed by the monumental tasks of economic rebuilding that lay ahead, particularly overcoming the cumulative impact of war and prolonged occupation. However, its efforts could fail unless Israel thought ahead and transformed itself from an occupying power ruling through the barrel of a gun into a genuine partner in peace and economic development. Peace could be achieved, but while it took one party to start a war, it took two to conclude peace.

13. The representative of **Brazil**, speaking on behalf of the **Group 77 and China**, commended the secretariat for its relentless efforts. He urged the secretariat to intensify those efforts to meet the growing requirements of the distressing situation of the Palestinian people, and he called upon the members of the Board to increase their support for the programme. He was concerned about the adverse impact on the Palestinian economy of the construction of the separation barrier. The effects on Palestinian agriculture in particular were enormous, and the land confiscated for the construction of the wall/barrier were to the east of 1967 border and among the most productive agricultural land in the West Bank. The construction of the wall could lead to a reduction of agricultural production capacity by as much as 20 per cent.

14. One rare encouraging sign was the unprecedented social cohesiveness shown by Palestinian society, which managed to employ more workers domestically than in 1999. The international community should support the Palestinian Authority in meeting the challenges of increasing the wages and productivity of the domestically absorbed work force and sustaining economic growth. The donor community should also work together to support the Palestinian efforts to build their own development agenda and priorities, even under the present circumstances.

15. Even although UNCTAD's technical assistance for Palestine had been expanding, many proposed activities still lacked the required resources. For example, the Empretec project had been interrupted due to resource constraints. This highlighted the need for greater resource predictability for UNCTAD's assistance to the Palestinian people. Lack of resources could seriously undermine the secretariats ability to respond to emerging needs and place further constraints on the PA's renewed development efforts.

16. In concluding, he said that the achievements of the secretariat attested to the relevance and impact of UNCTAD's assistance. This progress in substantive and operational work had been possible only because adequate central resources had been available since 2001. Maintaining the

momentum would require sustaining an adequate level of resources, as affirmed in the São Paolo Consensus.

17. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, expressed appreciation for UNCTAD's continuing support for the Palestinian people. He stressed his Group's great concern at the continuation of the closure policy and the economic impact of the Israeli occupation of the Palestinian territory, especially the construction of the separation barrier within the occupied territory and the additional damage to Palestinian agriculture. This would further aggravate poverty and the structural weaknesses of the economy and therefore increase the Palestinian people's imposed dependence on Israel.

18. The donor community should support Palestinian efforts to set their own development agenda and priorities. However, he was greatly concerned with the lack of available resources, which had resulted in the suspension of one of the ongoing projects, and the lack of resources within the APPU. This would adversely affect the secretariat's ability to respond effectively to the São Paolo and Bangkok mandates providing for intensified assistance to the Palestinian people. He called on Board members to secure more predictable and comprehensive extrabudgetary support for the secretariat's work. Finally, he urged the international community to accelerate its support for the Palestinian people and work together to achieve lasting peace on the basis of international legitimacy and the two-State solution.

19. The representative of **Nigeria**, speaking on behalf of the **African Group**, expressed his full appreciation for UNCTAD's continued support to the Palestinian people and commended the Assistance to the Palestinian People Unit for its work over the past 20 years. His Group was very concerned about the effects of occupation on the Palestinian people and the severe negative consequences of the conflict on economic activity. He called for intensified international support for the Palestinian people and highlighted the urgency of providing necessary resources for UNCTAD's programme of assistance to the Palestinian people.

20. It was essential to bring about improved economic conditions that would assist the Palestinian people and help them to build the institutions necessary to face current and future challenges. He also stressed the necessity of peace building, to which the United Nations must remain committed. Finally, he expressed his solidarity with the Palestinian people for their admirable fortitude in the face of extremely difficult occupation conditions.

21. The representative of **Israel** questioned the need for a special item on the Palestinian economy or a special secretariat unit to deal with the issue. Forty-five of the 50 least developed countries had a much lower per capita GDP than the Palestinian Authority, without benefiting from special treatment. Israel remained willing to act together with the Palestinians for the improvement of their economy, and supported the strengthening of the Palestinian economy and infrastructure.

22. He welcomed the measures proposed by the secretariat for the rehabilitation and reconstruction of the Palestinian economy, and affirmed that a realistic vision towards this goal was necessary. However, the goal could not be achieved as long as violence prevailed, and it was inconceivable to sustain economic development in a situation of continuous violence. The Palestinian economy, as well as the Israeli economy, could only be reinvigorated once the Palestinians reversed their decision taken four years ago to launch a wave of violence against Israel.

23. The secretariat report was analytical and seemed comprehensive, it had been prepared in a professional manner, and he welcomed this effort. However, in many parts the report placed the responsibility for economic deterioration on the doorstep of Israel, while ignoring the responsibility of the Palestinian Authority for economic mismanagement, monopolies, corruption, lack of transparency and the absence of a supportive environment and clear planning for the economy. The report ignored the role of Israel in the improvements noted for 2003 and its consistent efforts to preserve the fabric of Palestinian civilian life, as well as the relative stability of prices thanks to the common trade regime. In sum, the report dealt with the results and not the causes. The immediate cessation of Palestinian terror in all its forms would result in a process of rejuvenation of the Palestinian economy.

24. Some of the facts and figures cited in the report, in particular the description of the consequences of the construction of Israel's security fence, were greatly exaggerated. The report did not mention the 24 gates opened along the fence to permit Palestinians to cultivate their land freely, nor the measures taken by Israel to re-route the fence in order to balance Israel's security needs and the welfare of the Palestinian population. The report also published erroneous figures, incompatible with the figures published by the Palestinian Bureau of Statistics, regarding the degree of physical damage and poverty suffered by the Palestinians.

25. In line with Israel's intention to disengage from Gaza, a dialogue had been initiated with the World Bank and the donor community to find a way to rehabilitate the Palestinian economy as a step towards the "day after". There were some insinuations in the secretariat report on the future of the Paris economic agreement, which had been reached after intensive bilateral negotiations and which should be revised or altered only through mutual agreement. Before embarking on requests for extrabudgetary resources, the secretariat should ask the Palestinian Authority for a report on the detailed steps it intended to take towards social and economic reforms, in conformity with international demands.

26. The representative of **Egypt** said that she would have preferred her statement to focus on positive developments in the area of assistance to the Palestinian people and the evaluation of such assistance. She would also have preferred at least neutral circumstances to make it possible to concentrate on meeting the needs of the Palestinian people, who had suffered from a bloody occupation for more than 50 years. However, the events on the ground and the practices of the Israeli occupying forces left no room for such important matters. The suffering of the Palestinian

people as a result of Israeli incursions, especially in the last few weeks, included the destruction not only of infrastructure and water resources, but also of the human element itself and its inalienable rights. At the General Assembly on 24 September, the Egyptian Foreign Minister had warned about the practices of the Israeli occupying forces, which included the destruction of houses and infrastructure, the closure policy, assassinations and collective punishment.

27. The secretariat's report clearly showed the economic impact of the occupation and the suffering it imposed on the Palestinian people. The "separation wall" that was being built by the Israeli Government would lock in 13 per cent of the agricultural land between the green line and the wall. According to the International Court of Justice, the construction of the wall was illegal.

28. The international community should provide assistance that met the concerns and priorities of the Palestinian people in order to prevent the occupation from attaining its objective. The Board could strengthen international efforts by providing adequate resources to the Assistance to the Palestinian People Unit, as called for in paragraph 35 of the São Paulo Consensus. This was especially important in light of the lack of resources that the Unit was presently facing. The Board should meet its obligations to this programme not only through new extrabudgetary resources but also through the reallocation of the secretariat's regular budget resources.

29. The ultimate objective of all assistance to the Palestinian people was their full independence, and the desired outcome of assistance would not be realized in a highly negative military and political atmosphere. She called for the full implementation of all relevant resolutions, especially Security Council resolutions 242 and 338 concerning the withdrawal of Israeli forces from all occupied territories.

30. In conclusion, she proposed enhancing cooperation between Egypt and the UNCTAD secretariat, which had commenced recently in the area of transit transport between Palestine, Egypt and Jordan. She saluted the Palestinian people for their determination and persistence and affirmed that their struggle would definitely bear the fruit of national independence with international legitimacy.

31. The representative of the **United States of America** said that, while views might differ regarding the causes of the situation of the Palestinian people, there was no disputing the devastation that had overtaken them in recent years, for which the evidence was very clear. Her Government's approach to the problem had three parts. First, peace was paramount, and any progress on either the political or the economic front required peace. That, in turn, required an effective Palestinian security performance and a Palestinian Authority that could effectively direct its people towards peace. Secondly, progress required a serious political process that implemented the Road Map for peace and aimed at a two-State solution. Finally, the abiding economic crisis called for a continuing humanitarian effort, as well as efforts to build strong and responsible Palestinian institutions. This was ever more necessary in light of the very real

challenges involved in revitalizing the Palestinian economy after Israeli disengagement from Gaza.

32. The United States had taken the lead in both development and humanitarian efforts and had provided over $1 billion in assistance to the Palestinian Authority and the Palestinian people since 1993. In 2004 alone, United States assistance to the Palestinian people totalled over $200 million. The United States was by far the largest bilateral donor in the West Bank and Gaza. However, as in so many other places in the world, money alone could not do the job. The good will of all was needed, as well as partners who would work together constructively to address Palestinian needs and help put the region back on the path towards peace.

33. The representative of **Indonesia** emphasized that the intolerable state of war in the occupied Palestinian territory could have severe consequences for the region, as well as repercussions for the world at large. Any efforts by the international community would not have the desired maximum effects if the Palestinian people were not given the chance to rebuild their economy in a peaceful environment. He expressed great concern regarding the construction of the separation barrier by Israel and its adverse impact on the Palestinian economy.

34. He was encouraged by the fact that UNCTAD had been consistently involved in the programme of development assistance for the Palestinian people. The unambiguous mandate of São Paolo in this area had to be followed up by more focused, integrated and comprehensive assistance in the future, for which the Board should give regular endorsement. He concurred with the need to build a link between relief, including emergency assistance, and development. However, he underlined the importance of more predictable resources so as to meet the multifaceted problems of the Palestinian people, and he urged donors to continue and increase their support to enable UNCTAD to strengthen delivery of its assistance to the Palestinian people.

35. The representative of the **Islamic Republic of Iran** commended UNCTAD for its assistance to the Palestinian people over the past 20 years. All macroeconomic indicators in Palestine had declined as a result of the occupation. The only figures going up were those of unemployment and deficits. He emphasized the vast negative effects caused by the construction of the separation barrier. He raised the question as to whether UNCTAD intended to continue its assistance to the Palestinians in the same form and framework as before or whether there would be changes in the structure of the assistance based on the recent situation imposed on the Palestinians. Finally, he requested that, in its future work, UNCTAD include analysis and evaluation of the socio-economic impact of the separation wall in terms of Palestinian development.

36. The representative of **Tunisia** thanked UNCTAD for its efforts in assisting the Palestinian people. The secretariat's report clearly showed the impact of Israeli occupation and its closure policy on the Palestinian people and economy. As GDP continued to decline, with serious consequences for unemployment, the poverty and suffering of the Palestinian people continued to deepen, and such economic devastation had not been seen since the Second World War.

UNCTAD's work had responded to the expanded needs of the Palestinian people, and his delegation therefore appealed to the donor community to increase its support for this programme.

37. The representative of **Cuba** expressed her appreciation for the report and welcomed the successes achieved by the secretariat, despite the difficult field conditions. She emphasized the full solidarity of her Government with the struggle of the Palestinian people. Cuba was convinced of the role of UNCTAD in economic development, especially in the framework of the programme for the Palestinian people. She reiterated the appeal to help the Palestinian people through the provision of more predictable and comprehensive resources for UNCTAD's activities in that area.

38. The representative of **Morocco** said the secretariat's report showed that the Palestinian economy continued to suffer, with dire consequences in terms of the vulnerability of the people. There was a need to refocus the assistance to the Palestinian people to meet their urgent needs. The war-torn economy, road blocks and other practices by the occupation authorities hindered the growth and economic development of the Palestinian people. Nor was it possible to ignore political and social issues, as they were main factors underlying economic matters. He stressed the need to implement the São Paolo Consensus as it related to the Palestinian people, and he called upon the donors and international community to support the Palestinian people. He also called for an end of the occupation, since only a just and lasting peace would lead to the well-being of all.

39. The representative of **Jordan** stressed the need to continue providing technical assistance to the Palestinian people, especially in light of the recent escalation of the practices of the occupation forces, including confiscation of agricultural land, the closure policy and destruction of livelihoods. Jordan remained extremely concerned with the situation and had always done its utmost to build peace in the region.

40. The representative of **Benin**, speaking on behalf of the **least developed countries**, expressed appreciation for the work of the Assistance to the Palestinian People Unit, especially under very difficult field conditions. War, poverty and people's suffering reinforced one another. The assistance provided by the international community was being destroyed, and the Palestinian people were living under precarious conditions. The efforts of the international community would not achieve the desired results unless the situation changed. He referred to the Board's discussion on investing in peace in Sri Lanka, and urged the international community to commit to peace to bring the Palestinian people back to their country in order to help rebuild their communities.

41. The representative of the **Russian Federation** expressed his appreciation for the secretariat's report, especially given the complexity of the situation on the ground. The work done in this area was commendable, and the report provided very valuable information on the economic situation of the Palestinian people. He stressed the sincere wish of his country for the continuation of UNCTAD's work in this area, which was a contribution to the efforts towards a lasting peace in the region.

42. The representative of **China** commended the comprehensive analysis in the secretariat's report of the challenges facing the Palestinian people. UNCTAD's technical cooperation activities were well tailored to the specific needs of the Palestinian people and their efforts to elaborate economic development strategies. On the whole, he expressed his satisfaction with UNCTAD's work but emphasized his concerns about the shortage of resources faced by the APPU in a period when the Palestinian economy was in urgent need of recovery. He hoped that the international community could provide more resources for UNCTAD in this respect. He also expressed his country's deep concern with developments on the ground and the need for a conducive environment for development through peace. UNCTAD was the only UN agency that provided such specialized development assistance to the Palestinian people, and its work was sincerely appreciated.

43. The representative of **Sudan** expressed his appreciation for UNCTAD's comprehensive work as well as the report on assistance to the Palestinian people. The situation on the ground was making the situation more complex and peace more difficult to achieve. He called on the members of the international community to do everything they could to help the Palestinian people to rebuild their infrastructure and economy.

III. PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

A. Opening of the session

1. The fifty-first session of the Trade and Development Board was opened on 4 October 2004 by Mr. Sha Zukang (China), the outgoing President of the Board.

B. Election of officers

(Agenda item 1 (a))

2. At its 956th (opening) plenary meeting, on 4 October 2004, the Board elected Mrs. Mary Whelan (Ireland) by acclamation as President of the Board for its fifty-first session.

3. Also at its opening plenary meeting, the Board completed the election of officers to serve on the Bureau of the Board at its fifty-first session by electing 10 Vice-Presidents and the Rapporteur. Accordingly, the elected Bureau was as follows:

President:	H. E. Mrs. Mary Whelan	(Ireland)
Vice-Presidents:	Mr. Iouri Afanassiev	(Russian Federation)
	Mr. Luciano Barillaro	(Italy)
	H.E. Mr. Doru Romulus Costea	(Romania)
	H.E. Ms. Sarala M. Fernando	(Sri Lanka)
	Mr. Kiminori Iwama	(Japan)
	Ms. Melissa J. Kehoe	(United States)
	Mr. Ernesto Martinez Gondra	(Argentina)
	H.E. Mr. Jorge Ivan Mora Godoy	(Cuba)
	H.E. Mr. Love Mtesa	(Zambia)
	Ms. Preeti Saran	(India)
Rapporteur:	Mr. Patrick Krappie	(South Africa)

4. In accordance with past practice, the Board agreed that the regional coordinators and China, as well as the Chairpersons of the Sessional Committees, would be fully associated with the work of the Bureau.

C. Adoption of the agenda and organization of the work of the session

(Agenda item 1 (b))

5. At its opening meeting, the Board adopted the provisional agenda for the session contained in TD/B/51/1. (For the agenda as adopted, see annex I below.)

6. At the same meeting, the Board established two sessional committees to consider and report on items on its agenda as follows:

Sessional Committee I on item 4: Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010;
Sessional Committee II on item 5: Economic development in Africa: Issues relating to Africa's debt sustainability.

7. The following officers were elected to serve on the Bureau of Sessional Committee I:

Chairperson: Ms. Mary Whelan (Ireland);
Vice-Chairperson-cum-Rapporteur: Ms. Preeti Saran (India)

8. The following officers were elected to serve on the Bureau of Sessional Committee II:

Chairperson: Mr. Ousame Camara (Senegal)
Vice-Chairperson-cum-Rapporteur: Mr. Stefano Lazzarotto (Switzerland)

D. Adoption of the report on credentials

(Agenda item 1(c))

9. At its 963rd plenary meeting, on 15 October 2004, the Board adopted the report of the Bureau on the credentials of representatives attending the fifty-first session, thereby accepting the credentials.

E. Provisional agenda for the fifty-second session of the Board

(Agenda item 1 (d))

10. At the same meeting, the Board decided to refer this item to the Consultations of the President of the Board. The provisional agenda would thus be submitted for approval at an executive session at an appropriate time.

F. Appointment for 2005 of the members of the Advisory Body set up in accordance with paragraph 166 of the Bangkok Plan of Action

(Agenda item 11(a))

11. At its 961st plenary meeting, on 14 October 2004, the Board appointed the members of the Advisory Body for the period October 2004–October 2005, as follows: Ms. Mary Whelan (Ireland); Mr. Iouri Afanassiev (Russian Federation); Mr. Sergei Aleinik (Belarus); Mme Naela Gabr (Egypt); Mr. Joseph Ayalogu (Nigeria); Mr. Charles Mutalemwa (United Republic of Tanzania); Mrs. Clemencia Forero Ucros (Colombia); Mr. Guillermo Valles Galmes (Uruguay); Mrs. Lilia Carrera (Panama); Mr. Ahmed M. Masoud Al-Riyami (Oman); Mr. Shaukat Umer (Pakistan); Mr. Zukang Sha (China); Ms. Barbara Rietbroek (Netherlands); Mr. Frederik Arthur (Norway); Mr. Emmanuel Farcot (France).

G. Designation of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Board

(Agenda item 11(c))

12. At its 962nd plenary meeting, on 15 October 2004, the Board decided that Tradecraft Exchange (TX), on which information was provided in document TD/B/51/R.1, should be accredited to UNCTAD and should be classified in the General Category under the provisions of paragraph 12(a) of Board decision 43(VII).

H. Review of the calendar of meetings

(Agenda item 11(d))

13. At its 963rd plenary meeting, on 15 October 2004, the Board approved the calendar of meetings for the remainder of 2004 and the indicative calendar of meetings for 2005 (TD/B/INF.202).

I. Membership of the Working Party for the Medium-term Plan and the Programme Budget for 2005

(Agenda item 11(e))

14. At its 963rd plenary meeting, on 15 October 2004, the Board approved the membership of the Working Party for 2005, as follows: Bangladesh; Bulgaria; China; Cuba; Finland; Indonesia; Italy; Japan; Morocco; Peru; Philippines; Romania; Russian Federation; Senegal; Switzerland;

United Kingdom of Great Britain and Northern Ireland; United States of America; Venezuela; and South Africa.

J. Administrative and financial implications of the actions of the Board

(Agenda item 11 (f))

15. At the same meeting, the Board was informed that there were no financial implications arising from the work of its fifty-first session.

K. Adoption of the report

(Agenda item 12)

16. At its 963rd plenary meeting, on 15 October 2004, the Board took note of the reports of Sessional Committee I (TD/B/51/SC.1/L.1) and Sessional Committee II (TD/B/51/SC.2/L.1 and Add.1) and decided to incorporate them into the final report of the Board on its fifty-first session.

17. At the same meeting, the Board adopted the draft report on its fifty-first session (TD/B/51/L.4 and Add.1–5), subject to any amendments that delegations might wish to make to the summaries of their statements. The Board further authorized the Rapporteur to complete the final report as appropriate and to prepare the report of the Trade and Development Board to the General Assembly.

Annex I

AGENDA FOR THE FIFTY-FIRST SESSION OF THE TRADE AND DEVELOPMENT BOARD

1. Procedural matters:
   (a) Election of officers
   (b) Adoption of the agenda and organization of the work of the session
   (c) Adoption of the report on credentials
   (d) Provisional agenda for the fifty-second session of the Board

2. High-level segment: Follow-up to UNCTAD XI: New developments in international economic relations

3. Interdependence and global economic issues from a trade and development perspective: Policy coherence, development strategies and integration into the world economy

4. Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001–2010

5. Economic development in Africa: Issues relating to Africa's debt sustainability

6. Review of developments and issues in the post-Doha work programme of particular concern to developing countries

7. UNCTAD's contribution to the implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields:
   (a) UNCTAD's contribution, within its mandate, to the implementation of, and to the review of progress made in the implementation of, the outcomes of the major United Nations conferences and summits, under its relevant agenda items
   (b) Report by the President of the Trade and Development Board on his participation in the high-level meeting of ECOSOC with the Bretton Woods institutions and the World Trade Organization

8. Technical cooperation activities:
   (a) Review of the technical cooperation activities of UNCTAD (report of the Working Party on its forty-third session)
   (b) Report on UNCTAD's assistance to the Palestinian people
   (c) Investment Policy Review of Sri Lanka

9. Matters requiring action by the Board in the follow-up to the eleventh session of the Conference and arising from or related to reports and activities of its subsidiary and other bodies

   (a) Report on UNCTAD XI multi-stakeholder partnerships
   (b) Hearing with civil society, in accordance with paragraph 117 of the São Paulo Consensus
   (c) Report of the Working Party on the Medium-term Plan and the Programme Budget on its forty-third session, 13-17 September 2004

10. Other matters in the field of trade and development:
   (a) Progressive development of the law of international trade: thirty-seventh annual report of the United Nations Commission on International Trade Law (14–25 June 2004, New York)
   (b) Report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its thirty-seventh session (Geneva, 26–30 April 2004)

11. institutional, organizational, administrative and related matters:
   (a) Report by the President of the Advisory Body set up in accordance with paragraph 166 of the Bangkok Plan of Action on the implementation of courses by the secretariat in 2003–2004 and their impact; and the appointment of the members of the Advisory Body for 2005
   (b) Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board
   (c) Designation of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Board
   (d) Review of the calendar of meetings
   (e) Membership of the Working Party for 2005
   (f) Administrative and financial implications of the actions of the Board

12. Other business

13. Adoption of the report